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## **“Trying before walking down the aisle” : chinese managers’ construction of post-merger identification after an acquisition in Europe**

Liang, Shuang ; Lupina-Wegener, Anna ; Ullrich, Johannes ; van Dick, Rolf

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## **How Chinese managers construct their post-merger identification after an acquisition in Europe?**

### **Abstract**

Organizational identification has attracted many interests in past years. Employees who identify with the organization are typically loyal to their organizations. It is necessary to understand how employees construe and reconcile their identification when they face tremendous organizational changes in M&As. Majority studies focused on antecedents of post-merger identification (PMI) in developed economies. How employees from emerging market construct PMI is still under explored. Our study adopted a qualitative case study to investigate how Chinese managers construct PMI after acquiring a western company. Our findings reveal that Chinese managers take acquisition as an opportunity for their identity enhancement. Though identity enhancement exposes them in dramatic organizational changes, Chinese managers don't perceive these changes as threats because of organizational identity flexibility. Interestingly, two non-merging identities are flexibly bridged and merged by newly constructed organizations, and finally contribute to a high PMI.

### **Introduction**

Organizational identity and identification have become key interests in organizational studies in the past decades. These concepts have been linked to organizational changes (Van Knippenberg *et al.*, 2002) and organizational bias (Terry and Callan, 1998). Based on the social identity approach (Turner *et al.*, 1987), *organizational identity* can be defined as “stereotypic attributes of an organization that are conferred upon it by those for whom the organization is relevant and meaningful” (Haslam, Postmes and Ellemers, 2003, p. 360). *Organizational identification* refers to “the perception of oneness with or belongingness to” the organization (Ashforth and Mael, 1989, p. 34).

Mergers and acquisitions (M&As) involve dramatic organizational changes which can trigger low post-merger identification (PMI) (Gleibs, Mummendey and Noack, 2008). After M&As, organizational members often need to let go of their recurrent organizational identity and reconstruct their identity as members belonging to the new organization (Terry and O'Brien, 2001). The identity reconstruction might threaten employees, especially for those coming from a low status premerger organization. Specifically, one of the premerger organizations may be superior to the other one in terms of competence, technological competitiveness. The low status premerger organizational members could be threatened by making sense that they have to follow the other group's identity (Amiot, Terry and McKimmie, 2012). In turn, the identity threat will lead to low PMI, which is detrimental to successful M&As (Bartels *et al.*, 2006).

Comparing with the extensive research on PMI in the West, Chinese PMI construction has scarcely been mentioned. The deal value of Chinese cross-border M&As has reached a tenfold rise in the past ten years (Chenshao Report, 2018). The limited attention on Chinese PMI construction hinders our understanding of the full range of identification construction in M&As. Thus, in this study, we fill this gap by conducting a qualitative in-depth case study after Chinese acquiring a European manufacturing firm. We use a grounded theory approach for theory building (Haslam, Postmes and Ellemers, 2003; Corbin and Strauss, 2008). By exploring complicated organizational

phenomenon in the naturalistic context (Piekkari, Welch and Paavilainen, 2009), we provide a full explanation of how PMI construction fit together with causes.

Our findings reveal that, as the acquirer, Chinese managers take acquisition as an opportunity for their identity enhancement. Identity enhancement needs identity transformation which exposes them in dramatic organizational changes. Chinese managers don't perceive these changes as threats because of organizational identity flexibility, it prevents employees from experiencing uncertainties in M&As. Interestingly, two non-merging identities are bridged and merged by newly constructed organizations, and finally contribute to a high PMI.

The paper makes two contributions to PMI literatures. First, our paper fills the gap of investigating how dominate but low status group construct their post-merger identification. This gap should not be ignored because of its practical necessity. Less distinguished companies from emerging markets are increasingly acquiring distinguished western companies. How to deal with the mixed effects of dominance and status become vital to their success of M&As. Second, this article argues that organizational identity flexibility can trigger a high PMI. If employees are immune to the organizational changes, losing a sense of continuity might not lead to a low PMI. This provides a new way to help increase employees' PMI beyond the frequent focus on the sense of continuity.

## **Literature Review**

### **1. Organizational identification in M&As**

The past few decades have witnessed the continuing proliferation of M&As. However, literatures show that plenty of M&As are failure cases which cannot meet the expectations of acquirers (Zhou, Xie and Wang, 2016; Bhaumik, Owolabi and Pal, 2018). Within these literatures, frequent explanations for these failure M&As focus mainly on social and human factors (Vaara, 2002; Colman and Lunnan, 2011; Joshi, Sanchez and Mudde, 2018). Indeed, M&As underperformance are frequently attributed to employees' low PMI because of dramatic organizational changes (Gleibs, Mummendey and Noack, 2008).

From social identity perspective, mergers and acquisitions (M&As) can be defined as "a formal recategorization of two social groups as one new group" (Van Knippenberg *et al.*, 2002, p. 234). The new group incorporates the acquirer and target group after acquisitions. The combination of two groups will inevitably bring about organizational changes (Haleblian *et al.*, 2009). Employees may find themselves difficult to adapt to these changes, this may lead to their low PMI (Makamson, 2010; Giessner, 2011).

Organizational identity and identification have been used to explain different behaviors in organizations after M&As, including cooperative behavior (Gleibs, Mummendey and Noack, 2008) and organizational bias (Van Knippenberg and Hogg, 2018). It is grounded in the social identity approach which comprises social identity theory and self-categorization theory (Tajfel and Turner, 1986; Turner *et al.*, 1987). Self-categorization theory explains the impact of self-perception ("I" vs. "we") for understanding mind and behavior of people. Whereas, in social identity theory, people define themselves as members of a social group (groups), an individual's self-concept derives from his membership of the social group (groups) he belongs to, rather than himself. Post-merger identification (PMI) is theoretically interesting, because it is an important precursor of a successful acquisition (Colman and Lunnan, 2011). High PMI is positively related to job satisfaction and good performance (Van Dick *et al.*, 2004; Lipponen, Wisse and Jetten, 2017). Correspondingly, low levels of PMI often hinder companies from realizing their strategic and financial goals of acquisitions (Giessner, 2016).

The majority of studies on PMI have predominantly focused on the effect of pre-merger identification (Colman and Lunnan, 2011; Lipponen, Wisse and Jetten, 2017). After M&As, one organization, normally the acquiring organization, turns out to be more dominate (in terms of power differences) and influential in the new organization (Van Knippenberg *et al.*, 2002). Terry *et al.* (2001) found that acquiring companies in M&As tended to have a higher status (in terms of technology or performance) than the other, and acquired companies in M&As were often connected to a loss of status (see also Haunschild *et al.*, 1994). Notably, however, it is necessary to stress that status and dominance should not be treated as the same concept as determinant on PMI (Van Knippenberg *et al.*, 2002; Ullrich, Wieseke and Dick, 2005). A tiny firm with a high technical status can be acquired by a more influential but less distinguished company. Thus, we argue that pre-merger organizational status and dominance are different concepts to affect PMI.

Colman & Lunnan (2011) explained that employees from a low status pre-merger organization might make sense of the acquisition as threats to their pre-merger identity, which often resulted in low PMI (Terry and O'Brien, 2001). Van Knippenberg *et al.* (2002) proposed that PMI was often higher for former members from a dominant organization than those from the dominated organization. Employees in dominant organizations often perceived post-merger organization as a continuation of their pre-merger organization, because they were larger or more powerful than the dominated group.

The dominant organization in M&As may often be the higher status organization, however, as we mention earlier, there are situations in which the dominate partner might be the lower status group (e.g. when a chain of budget stores takes over a prestigious designer store). Van Knippenberg *et al.* (2002) used the similar example to differentiate status and dominance, explaining the effect of dominance on PMI, but there is no deeper explanation on how this mixed status and dominance will influence PMI in M&As. Thus, it is theoretical interesting to fill the gap of investigating how the mixed effects of dominance and status will influence PMI, and what is the post-merger identification construction process behind these effects. This gap should not be ignored also because of practical necessity, as less distinguished companies from emerging markets are increasingly acquiring distinguished western companies, how to deal with the mixed effects of dominance and status become vital to their success of these cross-border M&As.

## **2. Post-merger identification construction in Chinese cross-border M&As**

The deal value of Chinese cross-border M&As has increased and reached a tenfold rise in the past ten years (Chenshao Report, 2018). Chinese acquirers mainly target well-known western companies as a springboard to acquire strategic and technological assets (Deng, 2004). These acquisitions help Chinese companies to 'catch up' in terms of technology, brand, and management (Rui & Yip, 2008; Sun, 2018). We argue that Chinese acquisitions provide us a suitable context to study PMI in cross-border M&As, as employees in Chinese companies may experience dramatic organizational changes because of asymmetric technological and brand status.

Recently, researchers have increasingly focused on post-merger integration in Chinese M&As. It is argued as a critical antecedent of a successful acquisition (Zheng *et al.*, 2016; Muralidharan, Wei and Liu, 2017). Management and technological abilities of target firms in developed countries are generally superior to Chinese enterprises. Different from traditional absorption, symbiosis or preservation approaches (Haspeslagh and Jemison, 1991), Liu & Woywode (2013) found that Chinese acquirers adopted a novel post-acquisition integration approach which was known as "light-touch" integration. They found that despite a high potential for synergy, Chinese did not pursue full integration in a fast manner but granted lots of autonomy to the acquired firms. It met the need of reducing uncertainties for acquired firms, but it would be

a challenge for Chinese acquirers to promote knowledge transfer (Zollo and Singh, 2004). In this way, Chinese acquirers tended to manipulate organizational structural changes, in order to achieve organizational learning and knowledge transferring from western acquired companies (Zou and Ghauri, 2008; Liu and Woywode, 2013). Despite these insights, literatures suggested that “organizational identity (who we are) may be as influential as culture (how we do things) in affecting the post-merger integration process” (Zaheer, Schomaker and Genc, 2003, p. 185). How Chinese managers react to these post-merger integration strategies in terms of organizational identification has scarcely been mentioned in literatures (Cooper *et al.*, 2015).

This research pay attention to PMI construction by Chinese members of the acquiring organization after an acquisition of a European firm. We believe a better understanding of this issue should shed light on the success or failure of Chinese cross-border M&A. Hence, our central research question is: *How Chinese members of the acquiring organization construct their PMI after an acquisition of a European organization.*

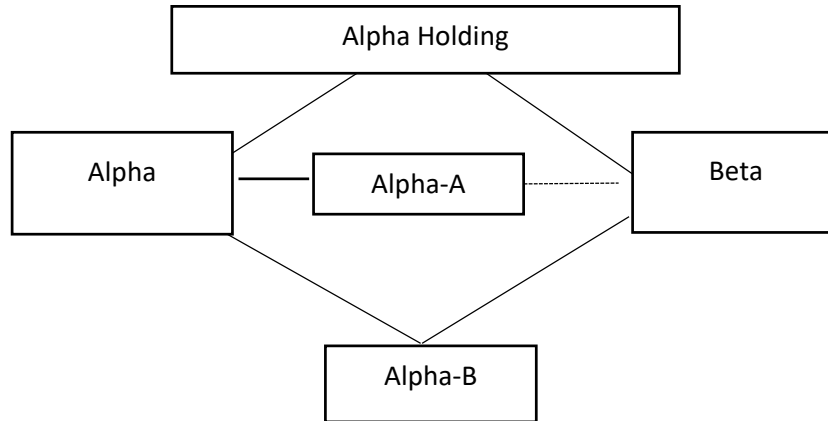
## **Methodology**

We employed a qualitative case study, as most appropriate for building theory and answering “how” questions related to complex processes (Gehman *et al.*, 2017, p. 4). For instance, due to cultural differences and dramatic organizational changes, identity/identification construction process we examined in the study has been seen as a complex process in cross-border M&As (Vaara, 2002). Theory building from qualitative cases depends mainly on grounded theory approach where “researchers may have a guess about the constructs of the theory, but are fundamentally going in open-minded” (Gehman *et al.*, 2017). Based on grounded theory, we broke data into first-order and second-order themes, and then abstracted at a higher level into third-order codes (Gioia, Corley and Hamilton, 2013). Without a preconception of relationships among the emerging third-order codes, we iterated among the literature, data and emergent theory to come up with explanations for the underlying logic of the emergent relationships. It was taken in our case study for not only generating new theory, but also elaborating existing theory in a complex organizational phenomena (Patvardhan, Gioia and Hamilton, 2015). Besides, theory building from cases fundamentally depends on a case study (Yin, 2009; Gehman *et al.*, 2017). In this study, the single case study about the acquiring organization provided a rich empirical instance of PMI process. In summary, we addressed the PMI construction as theoretical focus by studying a specific case of a Sino-Western M&As.

## **Research setting**

Alpha Holding is a Chinese privately-owned global group which consists of many international acquisitions. Alpha is one of Alpha Holding’s divisions which focuses on manufacturing low-end products. In order to improve the quality of products and gain access to the global market, Alpha Holding acquired the company Beta. The acquired western company Beta has a long history of manufacturing premium products and leading technological know-how in the industry. Being acquired by Alpha, Beta felt a threat for losing their brand reputation. In order to ease the threat, Alpha Holding allowed Beta to be independent after the acquisition. Three years later, Alpha Holding created a new organization – Alpha-A at the same location of Beta and was responsible for the cooperation between Alpha and Beta. The Alpha-A worked as a bridge between Alpha and Beta, managers from both organizations conducted joint projects based on Alpha-B. After eight years, a joint venture Alpha-B was created. The Alpha-B was established for formalizing the synergies for the direct collaboration within two organizations. Figure 1 displays the organizational structure.

**Figure 1. Overview of interrelation among organizations.**



### **Data collection**

In accordance with our qualitative research approach, we adopted varied sources of data, including (1) semi-structured interviews with key Chinese informants who were involved in interactions with Western managers, (2) archival data about the acquiring Chinese company and the acquired European company, (3) observation in the acquiring company in China. We conducted 32 interviews, top management (division heads) and middle management (heads of units and functional departments) were distinguished. We conducted interviews in June 2017 (years 7 after the acquisition), January 2018 and July 2018. Our data collection fitted with the time span of the process that we were studying (Gehman et al., 2017). We did our pilot interviews right after we got access to the company in June 2017. From the pilot interview, we got the information that a new joint organization (Alpha-C) would be created in 2018. The organizational changes (e.g. structural changes) have a significant influence on identity change (Empson, 2004), thus, we started our process data collection right after the creation of Alpha-C. We went to China again in July 2018 for data collecting, and the collaboration was viewed by some Alpha managers as successful. Interviews lasted 45-60 minutes. All interviews were tape-recorded, transcribed and exported to Nvivo for analysis. All interviews were translated from Chinese into English.

*Archival data.* We gained access to public and private archival data, including the websites of three organization entities, peer-reviewed as well as media articles, we relied on archival data during all the research period, these archive data also served as an significant triangulation source for understanding events and mitigating possible “retrospective bias” in the interviews (Miles & Huberman, 1994).

*Observation.* Finally, one of the authors spent over 30 hours in the key department of Alpha between June 2017 and August 2018. The author engaged in direct, non-participant observation of organizational actions, observing members' working routines and social interactions, engaging in informal conversations on topics the researcher interested in, gathering potentially data relating to personal and interpersonal issues of identity. Detailed notes concerning content of conversations were taken and exported to NVivo for analysis.

### **Data Analysis**

We began our data analysis with early analysis which was “a rapid, practical way to do first-run data reduction without losing any of the basic information” (Miles *et al.*, 1994). All the interviews were transcribed into Chinese texts (original language). We began the first order coding (open

coding) by reviewing and assigning initial texts including words, phrases, sentences or paragraphs into different categories and labelled these categories as first-order codes. We used in-vivo (Corbin and Strauss, 2008) codes which was used directly by interviewees, if the in-vivo codes were not available, we used a simple summary phrase to name the categories.

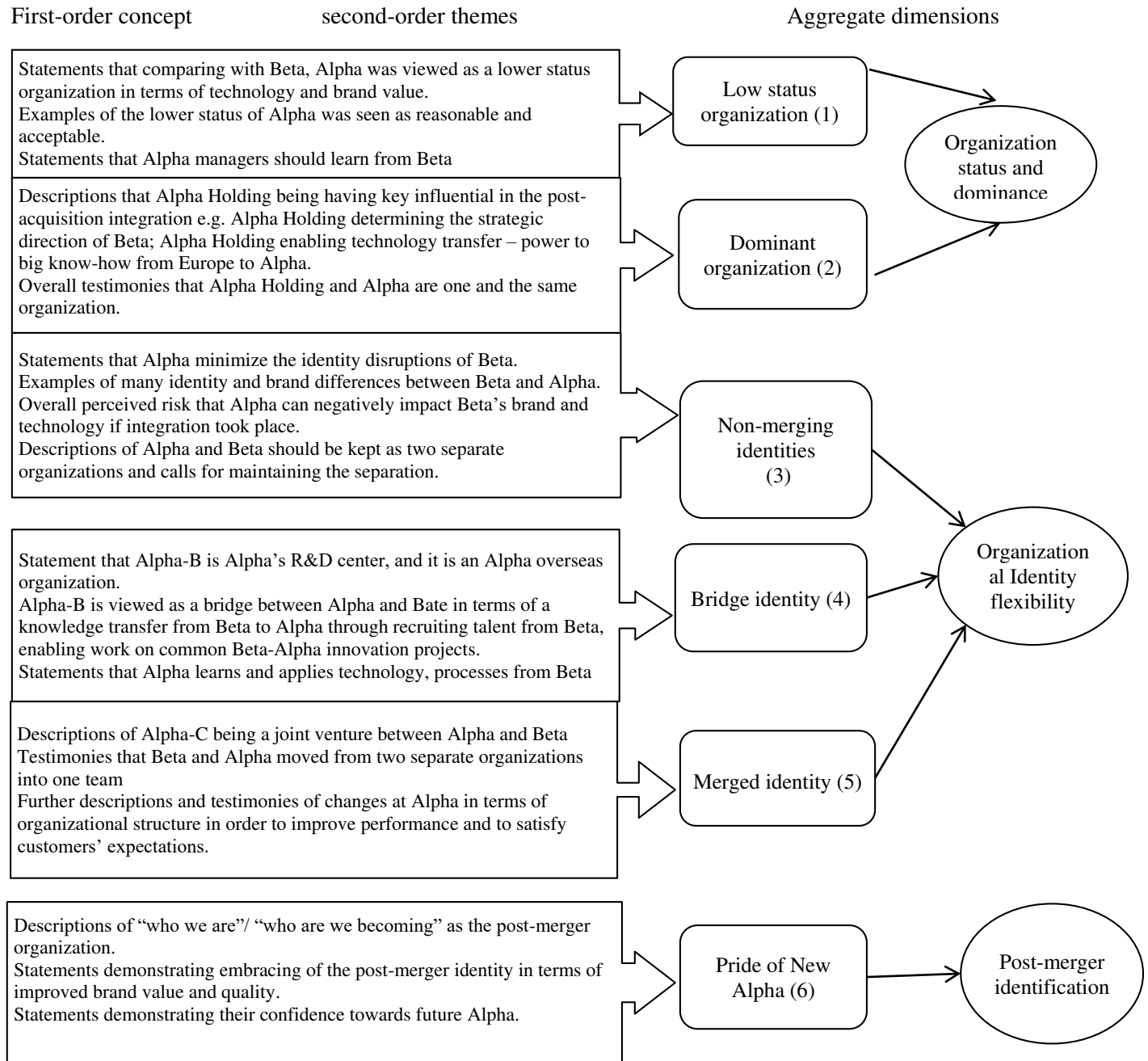
Next, based on the categories generated from first order coding, pattern coding was adopted, which was *“a way of grouping the categories into a smaller number of themes or constructs”* (Miles *et al.*, 1994). Common themes were used to link together data fragments from differing but related categories developed in open coding (Corbin and Strauss, 2008). For example, we made sense of these related first-order codes as interviewees had a “perceived low status” as a second order code, when they demonstrated themselves as “students” when they met Beta managers. After that, we went back and forth between first-order codes and second-order themes until no new themes or codes emerged.

Finally, we got the emergent framework by gathering similar themes into more abstract dimensions and built relationship among different dimensions (Glaser and Strauss, 1967). The data structure was pivotal, as we provided a graphic representation of how we progressed from raw data to themes in conducting the analyses. Emerging relationships among codes and theoretical linking were recorded in memos. Sequential and interactive relationships were traced, and we thereby transformed the original static coding dimensions into a dynamic process of identity construction.

## Results

Figure 2 displays a coding scheme of our data structure. It demonstrates three main dimensions that emerged from our data analyses (the right side of the figure), as well as their constituent second-order themes and the first-order concepts.

### Figure 2. Data structure



## 1. Organization status and dominance

### *Alpha: Perceived as a low status organization*

Alpha managers perceived the acquired company Beta as a “Goddess” who had a higher status than acquirer Alpha. Beta was an organization which owned advanced technology, a high brand value, strong global presences and a long history; reversely, Alpha was viewed as a young company which had low technology, a short history and an inferior brand. Alpha managers encouraged their employees to learn from colleagues in the acquired company. Before communicating with Beta counterparts, employees were always well-prepared in terms of language and questions. In spite of these efforts, they described Beta managers as “not open” and “difficult to collaborate”. For instance,



*Yes, we were in a lower status in the beginning, then began to...It is also about working habit, including communication habit. For instance, we can't get the answers we asked from them. In fact, Beta is actually not open for us at that time. No, they just don't want to talk to you.*

For Chinese managers, the status difference was seen as understandable due to Alpha's inferior technology to Beta. There was a huge knowledge gap between two organizations, if Beta was a college student, Alpha was a young kid in a kindergarten. The collaboration difficulties as mentioned before were triggered by status difference between two organizations. Chinese managers thought that different levels of technological know-how in these two organizations led to some difficulties in the communication:

*Very important is that we have different knowledge. (Our technical expertise) is not at the same level. They (Beta) are at a higher level, especially for the portraying and electrical (expertise), Beta is very strong in electrical (expertise) especially in using software to manage the electrical operation. It's difficult to have a dialogue (communication) with them. You (Beta) are a college student; you (Alpha) are in the kindergarten. How to discuss the technology (with them)?*

*Alpha Holding: perceived as a dominant organization*

Though recognizing Alpha as a low status group comparing with Beta, Chinese managers perceived Alpha Holding as the dominant organization. Though Beta was granted with considerable autonomy and had a high status in technological know-how, the Holding group was more influential in determining the strategy direction of Beta. Besides, Alpha Holding had power to enable technology transfer from Europe to Alpha by creating a new organization Alpha-B. Managers from Alpha therefore had chances to collaborate with Beta with the help of the new organization Alpha-B. One of our interviewees mentioned the dominant role of Alpha Holding in the final decision making:

*We have some, the SVP from Beta and Alpha to discuss where to go. Finally, these people take the decision, this is in a very high level...but finally, the board members (of Alpha Holding) will make the decisions.*

Interestingly however, there was no clear line between Alpha Holding and Alpha. Alpha Holding was seen as a "virtual" administrative organization, that was to say, there was just a board of directors in the Alpha Holding, and Alpha was the mainly business entity. Thus Alpha and Alpha Holding were not divided and they were seen as the same organization. For instance, one of our interviewees mentioned that:

*We have Alpha Holding and Alpha. But actually, from the perspective of an internal organizational member, we have a "virtual" Holding, we don't have a big organizational entity as a Holding. We just have a board of directors there in Alpha Holding ... there is not a bunch of entities under the Holding group. Our business entity is actually Alpha ...no matter how Alpha Holding expanded, the business entity is still Alpha. Thus, we are, we are the same.*

## **2. Organizational Identity Flexibility**

*Non-merging identities: Minimizing the identity disruptions of the acquired company*

After the acquisition, the two organizations kept running their businesses independently by their own management teams. Keeping the identities of Alpha and Beta separate was out of two main reasons. On the one hand, non-merging identity helped to protect the brand identity of Beta. Alpha and Beta managers remain distinct identities in terms of their brand after the acquisition. Chinese

managers admitted that Alpha was a “cheap” and “low quality” brand, while Beta was a luxury brand that represented refined products. For example, one of our interviewees mentioned:

*His (Chairman) strategy is to prevent the brand of Beta from being hurt because of Alpha brand (which was of course not a luxury brand) ...So he (Chairman) separated the management of two companies and runs them independently...There are actually too many favorable factors for us. For example, our brand has been improved a lot in the market. Because...as a Chinese independent brand, we acquired a foreign luxury brand.*

On the other hand, the identity disruption to Beta was perceived as a risk by Chinese managers. Alpha was a traditional Chinese company with a high managerial hierarchy, whereas Beta was a typical western democratic, discussion-oriented corporation. It was difficult to manage the two companies with massive cultural differences after the acquisition. They kept the respective cultures and management styles for both organizations. Non-merging identities prevented inappropriate integration from destroying the acquisition. One of our informants claimed that:

*This strategy (separation) is very good. If a company doesn't have a good strategy after the acquisition, it will be an unsuccessful acquisition...there are too many failure cases in Chinese cross-border mergers and acquisitions, we might ruin the whole acquisition without it (the non-merging strategy).*

#### *Bridge identity: connecting non-merging identities*

Though non-merging identity was believed to be helpful for maintaining the uniqueness of Beta after the acquisition, the separated identities of the two organizations gave rise to a challenge of knowledge transfer and collaborations. One of our interviewees mentioned that:

*This is another classic issue. it takes quite a long time to find an agreement about the way Beta discloses their knowledge and technology. Yeah. Even though one organization (Beta) belongs to the other (Alpha), we are still different organizations. It's not easy to disclose their technology and their knowledge...it is a big issue for us.*

Thus, Alpha-B was created in the same location as Beta, acting as a bridge between two organizations without breaking the “non-merging” principle. The Alpha-B connected two “non-merging” identities, and brought some positive outcomes. Firstly, Alpha-B connected employees from two organizations for communications. For example, some Beta managers were recruited by Alpha-B, thus Chinese managers had chances to get touch with Beta managers directly at Alpha-B. Indeed, for Beta managers, having a job at Alpha-B was more acceptable than working at Alpha in China. In this way, Alpha successfully built their new R&D team. One of our interviewees stated that:

*In the past, it (Alpha) might be just like some companies such as Z (their competitor). They (Z) are completely copying and reproducing, and they didn't have their own research and development teams. After creating Alpha-B, we built a research and development team in China.*

Secondly, Alpha-B connected two organizations by making knowledge transfer possible. Knowledge transfer from Beta to Alpha would involve data transmission and intellectual property (IP) protection issues. With a concern for legally protection of IP in which China has not completed legislation yet, Beta managers were more willing to cooperate with Alpha-B in terms of technology. Data and technology were seen as safe and controllable when they were transmitted to ALPHA-B because of a strict IP law. For instance, as one of our informants stated:

*Yes, Alpha-B, yes. this company, on the one hand, solved the issue from Beta. Beta had some concern about the IP, IP leakage or something like this. For Alpha, we need this kind of technology transfer. So Alpha-B is playing a very important role in this. Maybe later we*

*will have a new way to cooperate, a new way will be come up with... but Alpha-B is a real milestone of the cooperation ...*

Interestingly, Chinese managers demonstrated a salient “learning” identity after Alpha-B’s connecting Alpha and Beta. They showed a strong motivation to learn from Beta. Alpha learned technological know-how from Beta, including the technology standard, quality control and R&D processes. The learnt know-how was transformed into Alpha’s self-applicable knowledge via Alpha-B. This “learning identity” held by Chinese managers contributed to Alpha’s technological improvements and process upgrades. Specifically, western countries had a relatively stable and well-developed market. Beta was a process-driven organization, that was to say, how many tasks and steps employees needed to do for a new product were prescribed in the process system. As a young and emerging company in the industry, Alpha did not have mature R&D processes. In order to improve the efficiency and quality of production, Chinese managers upgraded the production processes based on Beta’s process system. Besides, fierce competition and changing markets in China were not allowing Chinese companies to work step by step referring to the process. In this perspective, Alpha showed a strong ability to learn and integrate more advanced processes into their self-applicable R&D routines. For example, one of our interviewees stated:

*We didn’t know how to do - they (Beta) knew. But Alpha, we didn’t know. We tried to learn from them, built the new organization, new process, new standard and new templates, and new governance structure, meeting structure, everything.*

*OR*

*From the perspective of the domestic market... It was just like what I had said to you. In our collaboration, Alpha undoubtedly learned the standardized development process from Beta, these areas such as the quality awareness, etc. are enhanced. That is a big leap.*

In sum, the new organization Alpha-B was accepted as a bridge to connect two non-merging identities. The Alpha-B was quickly accepted as Alpha’s European subsidiary by Chinese managers, since they were getting more and more involved in the daily work in Alpha-B. One Chinese managers had two positions with respective responsibilities both in Alpha and Alpha-B. For example:

*Alpha-B is actually a subsidiary of Alpha. However, at the beginning of its establishment, it was created as a bridge. That is to say, we would like to transfer Beta's technology to Alpha. That is the meaning of the organizational structure change by creating an Alpha-B, it brings the Beta technology, experience, and development ideas to Alpha.*

*Merged identity: Alpha-C - non-merging identities were integrated*

The creation of Alpha-B witnessed Alpha’s flexibility in changing the organizational structure to enhance organizational adaptation after the acquisition. Importantly, with Alpha’s agility in the organizational structure, a new joint venture – Alpha-C - was established for facilitating a more direct and deeper collaboration between Alpha and Beta. Though Alpha-B played a significant role as a bridge to connect two companies, it was seen as “a cooperation trial” between two organizations. Thus, further synergies were perceived as necessary for the future success after the acquisition. Specifically, the new organization Alpha-C was responsible for the direct collaboration of further technology sharing, scale economy, synergies and building a win-win situation for both organizations. The one-way “learning” identity was switched to a two-way “mutual learning” in the new organization Alpha-C. For instance, one of our interviewees remarked that:

*On the one hand, this joint venture is to break the technology barrier and promote the integration of technology. On the other hand, it is created to lower the cost for Beta and achieve economies of scale, this is what Beta can learn from Alpha in this cooperation.*

After the creation of *Alpha-C*, some Alpha managers worked in the joint team with Beta managers without going through Alpha-B. Interestingly, Alpha-B was described as the “test marriage” between two organizations. This new joint venture Alpha-C was seen as Alpha’s “formal marriage” with Beta. Our interviewees mentioned that “two organizations were becoming a joint team” and call Beta managers as “our team members”. Thus the new joint venture integrated non-merging identities (Alpha identity and Beta identity). For instance, one of our interviewees mentioned that:

*On the one hand, Alpha-C is an organization overcoming this barrier of the technology and the enhancement of exchange and integration of these technologies at the same time. On the other hand, it is the integration of the purchasing area – joint purchasing. For Beta, this is a very meaningful thing. That’s a trial and error or an experiment. This is because the domestic ability to lower the costs of purchasing is very strong. It will bring about cost reduction for the entire Beta products. And it will also be very effective as well.*

Notably, except for the agility in organizational structure, Alpha was agile in terms of meeting customers’ requirements. Speed and flexibility were claimed as the soul of Alpha. Specifically, Alpha demonstrated considerable agility to the fast changing Chinese market by responding and fulfilling to customers’ requirements quickly and efficiently. For example, Alpha underwent organizational changes to satisfy the needs of Chinese customers by updating facilities and shortening working processes. Notably, they provided immediate and personalized modification of designed product models if these models failed to meet the customers’ individual needs. The level of agility was much lower (or partly inexistent) in Beta and other competitors. Some of our interviewees mentioned that:

*If the user says I need something like this. Then my manager will ask the engineer to change it right now, and it can be changed at the fastest time. At the end of the day, the user is very happy about it. Users realize that Alpha can do the things they want very quickly. If you go to any company, you go to Gamma (one competitor), you go to Beta, it's impossible...so when Alpha loses this kind of flexibility, I feel that this company cannot be alive, it cannot be alive.*

### **3. Post-merger identification**

Chinese managers identified with their organization’s vision of becoming a respected brand in the global market. Most Alpha managers were proud to see a local brand occupying the domestic market and with a target of the global market. Before the acquisition, Alpha was an unknown or even a not respected brand due to its low-quality products and unsophisticated technology. On one hand, acquiring a western premium brand Beta caused a sensation in the whole industry. Learning advanced technology from Beta via Alpha-B was helping Alpha get rid of their bad image of poor quality. On the other hand, the Alpha brand was clearly recognized in the market, Alpha launched new products in Alpha-B to differentiate itself from the local brand. With an improvement of technology, new products launched in Alpha-B received a good evaluation in terms of quality. After the acquisition, Alpha was described as “the new Alpha”, from a status unrespectable to a benchmark in the market. Thus, the vision was seen as highly promising for employees in Alpha and Chinese managers mentioned that they had a strong identification towards “the new Alpha”:

*I am happy to work for Alpha and I saw the fast development of Alpha, I am proud of the good brand of Alpha, there is a good improvement for Alpha, I really like the developed and post-merger Alpha, nobody likes to fall behind.*

*OR*

*We are proud of the development of Alpha, from the old Alpha which was laughed at and unrecognized to a benchmark in the market, we are so proud of Alpha; you will feel so proud when you tell people that you worked for Alpha, I am proud that I experience the period and I am the one who contributed to this.*

Besides, the organization was described as a highly competitive company which was more flexible and efficient than their competitors. One of our informants mentioned:

*What I am most proud of... In fact, is that every one of us who are in the industry hopes to see a local brand that can firstly occupy the Chinese market, then go to the world or different markets. I think this is a dream of many people. In fact, we are still on the way to chase this dream, but I believe that one day we will realize it. Because it is indeed that we find Alpha... its culture, and the speed, the flexibility, there are not many companies can keep up. Even for some mature companies, they can't keep up.*

In sum, Chinese managers showed a high post-merger identification by acquiring technology, entering into new markets and launching high-quality products after the acquisition. Chinese managers identified more and more with their organization comparing with the pre-acquisition organization. One of our employees stated:

*It shows that Alpha has indeed produced its own business card that was made in China with a high reputation. In my opinion... when you mention Japan in the industry, it is known as J and B (popular brand in Japan). When you mention Korea, it is Y (popular brand in Korea). I hope that, in the future, when you mention China, people will mention us, Alpha.*

## **Discussion**

The current findings have important theoretical implications for the study of post-merger identification. Defined as “a formal recategorization of two social groups as one new group” (Van Knippenberg *et al.*, 2002, p. 234), M&As typically represent dramatic organizational changes for employees. Existing studies suggest that uncertainties about organizational changes in M&As often relate to employees’ reduced post-merger identification (PMI) (Amiot, Terry and McKimmie, 2012). Organizational changes per se is not always a bad thing, but employees’ feeling that “they are still working for the same organization (e.g. their pre-merger organization)” might be lost due to the changes. (Rousseau, 1998) calls the relevant feeling as *a sense of continuity* which is essential to maintain PMI (see also Van Knippenberg *et al.*, 2002). The loss of the sense of continuity could make employees disincline to contribute to the new organization (Colman and Lunnan, 2011) and lead to their low PMI (Terry, Carey and Callan, 2001; Colman and Lunnan, 2011).

Typically, the members from the dominated or lower status organization(s) experience a relatively low sense of continuity (Boen, Vanbeselaere and Cool, 2006). (Colman and Lunnan, 2011) explain that low status pre-merger group tends to face uncertainties about their future organization, as they thought they have to follow the other group’s identity. In turn, the dominate or high status group often have a high sense of continuity, because they have more resources and power to keep their identity (Van Knippenberg *et al.*, 2002).

Interestingly, though the dominant organization may be the higher status group in M&As, Van Knippenberg *et al.* (2002) differentiated them with a special example (e.g. when a chain of budget stores takes over a prestigious designer store). Addressing this condition, a chain of budget stores is the dominate organization (more powerful) and the low status group (inferior in terms of design) at the same time. But there is no deeper explanation on how this mixed status and dominance will influence employees’ PMI in M&As. This theoretical gap should not be ignored also because of its practical necessity, as less distinguished companies from emerging markets are

increasingly acquiring distinguished western companies (Kale, 2004; Luo and Tung, 2007; Sun, 2018), how to deal with the mixed effects of dominance and status on PMI become vital to their success of M&As.

The current findings fill this gap, we found that understanding the organizational identity flexibility could help employees to reconstruct a strong sense of organizational identification after defining their group as a dominant but low status organization. In our case, on one hand, as the acquirer, Alpha Holding acted as a dominate group because of having more power and financial resources, interestingly, Chinese managers thought Alpha had no difference with Alpha Holding, “Alpha Holding is just a board of directors, Alpha is Alpha Holding”. Thus, perceiving their organization as same as the dominant group, Alpha managers could easily keep their sense of continuity which would be helpful for building up a PMI. This is consistent with the previous finding that dominate group can keep their continuity and PMI after the acquisition (Van Knippenberg *et al.*, 2002).

On the other hand, Chinese managers perceived Alpha as a low status group after M&As, because their inferior technology, brand and process. That was to say, Chinese managers accepted their low status as rational after intergroup comparisons with the acquired company. This finding is similar to (Ellemers, Wilke and Van Knippenberg, 1993) who found that group members considered their low status more acceptable when it seemed legitimate. However, according to Amiot (2007), intergroup comparisons would make the low-status group experience identity threats after the acquisition and it would be difficult for them to get a PMI (see Navis & Glynn, 2010). Our study extends this finding by introducing the role of organizational identity flexibility on PMI for low status groups. We define “organizational identity flexibility” as “organizational identity is flexible enough to adapt to dramatic organizational changes” In our case, as a low status group, Chinese managers were not threatened by the uncertainties about “which organization they are going to belong to after the acquisition”. They accepted that identities should be non-merged in the beginning. Though acquisition was an opportunity for their (low status) identity enhancement (Boen, Vanbeselaere and Cool, 2006), this would require organizational transformation which typically undergoes major changes, which might lead to a low PMI. However, the “DNA” of change was planted in Alpha. For instance, a new organization Alpha-B was created and accepted as a bridge to connect non-merging identity. For the sake of the further synergy, Alpha-C was established to merge two identities. Thus, organizational changes were not threats anymore for Chinese managers, the PMI was constructed.

In addition, the current findings also help us to take a new look at the concept of sense of continuity (Rousseau, 1998). In order to elicit PMI, previous literatures focus mainly on investigating how to avoid organizational identity change and keep the sense of continuity (Van Knippenberg *et al.*, 2002; Iyer and Jetten, 2011). However, M&As inevitably represent dramatic organizational changes. As such, employees are likely to experience a sense of discontinuity or strong ambiguity about their future organizational identity after the acquisition (Terry, 2001). The current findings suggest that “organizational identity flexibility” can help employees to be more immunizing instead of resisting the organizational changes and finally contribute to the PMI. In our case, although organizational changes were happening, the “DNA” of Chinese managers (flexible identity) stayed the same, thus their identity was in fact the identity of change. Differentiated with past literatures, Chinese organization, as the acquirer, didn’t try to keep their continuity based on their advantages (e.g. they are richer, more resource based), on the country, “change is their identity continuity”, they were open to change themselves in terms of technology, organizational processes and structures.

Importantly, prior works investigating pre-merger status/dominance on PMI adopted mainly quantitative method (Ellemers, Wilke and Van Knippenberg, 1993; Boen, Vanbeselaere and Cool, 2006; Amiot, Terry and McKimmie, 2012; Lipponen, Wisse and Jetten, 2017). From the social identity perspective, this finding extends previous research by using qualitative data to investigate how PMI was constructed in low status/dominated organization.

This finding is theoretically important because dramatic changes happen in M&As, resulting in a relative low status or dominance for at least one organization (Kale, 2004). And it is still a puzzle for identity construction in a dominate but low status group in M&As. It is also practically interesting, as less distinguished companies from emerging markets are increasingly acquiring distinguished western companies, how to deal with the mixed effects of dominance and status become vital to their success of M&As.

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